



Senate

General Assembly

File No. 578

February Session, 2012

Substitute Senate Bill No. 399

Senate, April 23, 2012

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ANNUAL ADJUSTMENTS TO ASSESSMENT RATES ADOPTED FOR APARTMENT AND RESIDENTIAL PROPERTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-62r of the 2012 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 *(Effective from passage and applicable to assessment years commencing on or*
4 *after October 1, 2011):*

5 (a) For the purposes of this section:

6 (1) "Apartment property" means a building containing four or more
7 dwelling units used for human habitation, the parcel of land on which
8 such building is situated, and any accessory buildings or other
9 improvements located on such parcel;

10 (2) "Residential property" means (1) a building containing three or
11 fewer dwelling units used for human habitation, the parcel of land on

12 which such building is situated, and any accessory buildings or other
13 improvements located on such parcel, (2) common interest
14 communities, as defined in section 47-202, and (3) condominiums, as
15 defined in section 47-68a, that are used for residential purposes;

16 (3) "Base year" means the assessment year commencing October 1,
17 2010; and

18 (4) "Adjusted tax levy" means the total amount of taxes raised by
19 taxation in a fiscal year by a municipality as provided in the most
20 recent budget adopted by the legislative body and signed by the chief
21 elected official of such municipality.

22 (b) Notwithstanding any provision of the general statutes or any
23 special act, municipal charter or any home rule ordinance, any
24 municipality in which the provisions of section 12-62n were effective
25 for the [assessment year commencing October 1, 2010] base year, shall
26 make annual adjustments to the assessment rate charged to apartment
27 and residential property in accordance with the provisions of this
28 section, but in no event shall the assessment rate for any class of
29 property be in excess of seventy per cent, nor shall the municipality
30 simultaneously apply the provisions of section 12-62c.

31 (c) For the assessment year commencing October 1, 2011, in any
32 municipality that adopts the property tax system under this section,
33 apartment property shall be assessed at a rate of [fifty] sixty per cent.
34 [For assessment years commencing on and after October 1, 2012, the
35 assessor shall determine a rate of assessment for apartment property
36 that will have the effect of phasing in proportionate increases in the
37 rate so that, by the assessment year commencing October 1, 2015, the
38 assessment rate for apartment property shall be seventy per cent.] For
39 the assessment year commencing October 1, 2012, apartment property
40 shall be assessed at a rate of sixty-five per cent. For the assessment
41 years commencing on and after October 1, 2013, apartment property
42 shall be assessed at a rate of seventy per cent.

43 (d) [In any municipality that adopts the property tax system under

44 this section, for the assessment year commencing October 1, 2011, and
45 only for said assessment year, the assessor shall determine a rate of
46 assessment for residential property that will have the effect of
47 increasing the average property tax for residential property as a result
48 of revaluation by three and one-half per cent over the property tax for
49 such property class in the base year, but in no event shall the
50 assessment rate be less than twenty-three per cent.] For the assessment
51 year commencing October 1, 2011, in any municipality that adopts the
52 property tax system under this section, residential property shall be
53 assessed at a minimum rate of twenty-seven per cent. For assessment
54 years commencing on and after October 1, 2011, the assessor shall then
55 calculate an additional adjustment to the rate of assessment for
56 residential property in accordance with subsection (e) of this section.

57 (e) [Not later than January thirty-first or the completion of the grand
58 list, whichever is later] Prior to the completion of the 2011 grand list,
59 and each assessment year thereafter, the assessor shall [annually]
60 calculate the difference in the adjusted tax levy by such municipality in
61 the current fiscal year and the prior fiscal year [. The assessor shall
62 then adjust the adjusted tax levy for the current fiscal year in
63 accordance with any change in the consumer price index for all urban
64 consumers in the northeast region in the preceding fiscal year. If, after
65 such adjustment, (1) the adjusted tax levy in the current fiscal year
66 exceeds the adjusted tax levy in the prior fiscal year by more than one
67 hundred per cent of the rate of inflation, as determined in accordance
68 with such consumer price index, the assessor, in his or her calculation
69 of the assessment ratios for the next grand list, shall increase the rate of
70 assessment for residential properties from the prior grand list year by
71 five per cent; (2) the adjusted tax levy in the current fiscal year exceeds
72 the adjusted tax levy in the prior fiscal year by more than fifty per cent,
73 but not more than one hundred per cent, of such rate of inflation, the
74 assessor shall increase such rate of assessment by three and one-half
75 per cent; (3) the adjusted tax levy in the current fiscal year exceeds the
76 adjusted tax levy in the prior fiscal year by not more than fifty per cent
77 of such rate of inflation, the assessor shall increase such rate of
78 assessment by two and one-half per cent; (4) the adjusted tax levy in

79 the current fiscal year is equal to the adjusted tax levy in the prior
80 fiscal year, or is less than one-half per cent less than the adjusted tax
81 levy in the prior fiscal year, the assessor shall increase such rate of
82 assessment by one and one-half per cent; and (5) the adjusted tax levy
83 in the current fiscal year is less than the adjusted tax levy in the prior
84 fiscal year by at least one-half per cent, the assessor shall make no
85 change in such rate of assessment.] by comparing the adjusted tax levy
86 used to calculate the mill rate in the current fiscal year to the adjusted
87 tax levy used to calculate the mill rate for the immediately preceding
88 fiscal year. If, after calculating such difference, (1) the difference in the
89 adjusted tax levy by such municipality in the current fiscal year is
90 greater than one-half per cent less than the adjusted tax levy in the
91 preceding fiscal year, the assessor, in his or her calculation of the
92 residential assessment ratios for the next grand list, shall make no
93 change in the rate of assessment for residential properties from the
94 preceding assessment year; (2) the difference in the adjusted tax levy
95 by such municipality between the current fiscal year and the preceding
96 fiscal year is equal to or less than one-half per cent less, and equal to or
97 less than three million dollars, then the assessor, in his or her
98 calculation of the assessment ratios for the next grand list, shall
99 increase the rate of assessment for residential properties from the
100 preceding assessment year by one and one-half percentage points; (3)
101 the difference in the adjusted tax levy by such municipality between
102 the current fiscal year and the preceding fiscal year is greater than
103 three million dollars, but less than or equal to six million dollars, then
104 the assessor, in his or her calculation of the assessment ratios for the
105 next grand list, shall increase the rate of assessment for residential
106 properties from the prior assessment year by two and one-half
107 percentage points; (4) the difference in the adjusted tax levy by such
108 municipality between the current fiscal year and the preceding fiscal
109 year is greater than six million dollars, but less than or equal to nine
110 million dollars, then the assessor, in his or her calculation of the
111 assessment ratios for the next grand list, shall increase the rate of
112 assessment for residential properties from the prior assessment year by
113 three and one-half percentage points; (5) the difference in the adjusted

114 tax levy by such municipality between the current fiscal year and the
115 preceding fiscal year is greater than nine million dollars, but less than
116 or equal to twelve million dollars, then the assessor, in his or her
117 calculation of the assessment ratios for the next grand list, shall
118 increase the rate of assessment for residential properties from the
119 preceding assessment year by four and one-half percentage points; and
120 (6) the difference in the adjusted tax levy by such municipality
121 between the current fiscal year and the preceding fiscal year is greater
122 than twelve million dollars, then the assessor, in his or her calculation
123 of the assessment ratios for the next grand list, shall increase the rate of
124 assessment for residential properties from the preceding assessment
125 year by five percentage points. In each year, the established rate of
126 assessment for residential properties becomes the base residential
127 assessment ratio for calculation of the following year's residential
128 assessment ratio.

129 (f) Not later than June fifteenth in any year in which the [adjusted
130 tax levy in the current fiscal year increases by] legislative body of the
131 municipality adopts a budget for the following fiscal year that
132 establishes a projected increase in the adjusted tax levy of more than
133 [two and six-tenths per cent] six million dollars over the adjusted tax
134 levy in the [prior] current fiscal year, one per cent of the total number
135 of electors of such municipality may petition in writing for a
136 referendum on the budget establishing such increase. Any such
137 referendum shall be held not more than ten days after receipt of such
138 petition by the town clerk and shall be conducted in accordance with
139 the provisions of chapter 90. Such budget shall not become effective
140 unless a majority of the electors voting in such referendum vote in
141 favor thereof. Only one referendum may be held, and, if the vote is
142 against the budget, [such municipality shall so adjust the budget as to
143 limit any increase to be equal to or less than two and six-tenths per
144 cent.] the budget as adopted in the preceding fiscal year, as adjusted
145 by the amount necessary to meet the funding requirements of the
146 Pension Commission and legally and contractually required increases,
147 as certified by the finance director, shall be deemed to be the budget of
148 such municipality for the ensuing fiscal year, and expenditures shall be

149 made in accordance therewith.

150 (g) Notwithstanding the provisions of section 12-55 regarding the
151 date of publication of the grand list, the assessor or board of assessors
152 in any municipality that adopts the property tax system under this
153 section shall publish the grand list for such municipality for the
154 assessment year commencing October 1, 2011, not later than fifteen
155 days after the effective date of this section. In each case of any increase
156 in valuation of a property above the valuation of such property in the
157 last-preceding grand list, the assessor or board of assessors shall mail a
158 written notice of assessment increase to the last-known address of the
159 owner of the property the valuation of which has increased, as
160 provided in subsection (c) of section 12-55.

161 (h) (1) Except as provided in subdivision (2) of this subsection,
162 notwithstanding the provisions of section 12-112, for the assessment
163 year commencing October 1, 2011, any person claiming to be aggrieved
164 by the actions of the assessor or board of assessors pursuant to this
165 section may proceed as provided in section 12-111, provided (1) such
166 appeal shall be filed, in writing, on or before the tenth business day
167 after receipt of the written notice of assessment increase, (2) the board
168 of assessment appeals shall notify each aggrieved person who filed a
169 written appeal in the proper form and in a timely manner, not later
170 than September 1, 2012, of the date, time and place of the appeal
171 hearing, and (3) such board shall notify such person not later than
172 September 1, 2012, that such board has elected not to conduct an
173 appeal hearing, in which case the appellant may appeal directly to the
174 Superior Court pursuant to section 12-117a.

175 (2) Notwithstanding the provisions of subdivision (1) of this
176 subsection, any municipality that adopts the property tax system
177 under this section shall follow all provisions of chapter 203 with regard
178 to the claim of any person who, prior to the effective date of this
179 section, brought an appeal to the board of assessment appeals in
180 compliance with the provisions of sections 12-111 and 12-112. Such
181 person shall retain the right to appeal to the Superior Court, as

182 provided in section 12-117a.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to assessment years commencing on or after October 1, 2011</i>	12-62r

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 13 \$	FY 14 \$
Hartford	Grand List Impact	See Below	See Below

Explanation

The bill, which makes various changes to the property tax assessment system for the City of Hartford, has no fiscal impact to the state or municipalities. It is anticipated that the property tax burden will shift from commercial/industrial property, personal property and motor vehicles to residential/apartment property as a result of these changes.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 399*****AN ACT CONCERNING ANNUAL ADJUSTMENTS TO ASSESSMENT RATES ADOPTED FOR APARTMENT AND RESIDENTIAL PROPERTIES.*****SUMMARY:**

PA 11-212 required a municipality that met certain conditions to make annual adjustments to the assessment ratios for residential and apartment property, beginning with the 2011 assessment year, as long as the assessment ratio for any property class did not exceed 70%. It applied to any municipality that, in the 2010 assessment year, was implementing the law that allows towns to provide a special property tax relief program. Hartford is the only municipality that used this program and is thus the only municipality the act affects.

This bill modifies the act's annual residential and apartment property assessment ratio adjustments. Among other things, it:

1. adjusts the assessment ratios for the 2011 assessment year (which began October 1, 2011, for taxes due in FY 13) for residential and apartment property to 27% and 60%, respectively, of fair market value;
2. bars the city from simultaneously phasing in assessment increases from a revaluation;
3. requires Hartford's assessor to publish the 2011 grand list, within 15 days of the bill's passage, and issue assessment increase notices to property owners; and
4. allows aggrieved property owners to appeal their assessments to the board of assessment appeals.

PA 11-212 also allowed voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year. The bill (1) changes the trigger for the referendum; (2) specifies that the referendum is on the budget proposed for the following fiscal year, rather than the budget for the fiscal year in progress; and (3) specifies how the budget must be revised if it is voted down.

EFFECTIVE DATE: Upon passage, and applicable to assessment years starting on or after October 1, 2011.

PROPERTY TAX ASSESSMENT RATIO ADJUSTMENTS

Residential Property

PA 11-212 required Hartford's assessor to calculate an assessment ratio for residential property for the 2011 assessment year that (1) produced an average annual property tax increase attributable to revaluation of 3.5% over the 2010 assessment year and (2) was at least 23%. The bill instead requires that residential property be assessed at a minimum of 27% for the 2011 assessment year.

PA 11-212 also required an additional adjustment to the residential assessment ratio to reflect the growth in property taxes levied over the previous fiscal year, adjusted for inflation. The adjustment ranged from 0% to 5%, depending on the growth in the "adjusted tax levy," and applied to assessment years beginning on and after October 1, 2011. The act defined "adjusted tax levy" as the total amount of taxes the city raises in a fiscal year.

The bill (1) modifies this annual adjustment schedule, as Table 1 shows; (2) eliminates the requirement that the assessor adjust the tax levy growth for inflation; and (3) specifies that the adjusted tax levy is the total amount of taxes the city raises in a fiscal year as provided in the most recent budget adopted by the city's legislative body and signed by the chief elected official.

The assessor must calculate the adjustment before completing the 2011 grand list, and each assessment year thereafter. PA 11-212

required him to do so by January 31 or upon completing the grand list, whichever is later. The residential assessment ratio calculated each year is the base ratio for calculating the following year's residential assessment ratio.

Table 1. Residential Property Assessment Ratio Adjustments

CURRENT LAW		BILL	
<i>If the Adjusted Tax Levy in the Current Fiscal Year (Adjusted for Inflation)</i>	<i>Increase in Residential Property Assessment Ratio</i>	<i>If the Adjusted Tax Levy Used to Calculate the Mill Rate in the Current Fiscal Year</i>	<i>Increase in Residential Property Assessment Ratio</i>
Is less than that of the prior FY by more than 0.5%	None	Is less than that of the prior FY by more than 0.5%	None
Is equal to or less than 0.5% less than that of the prior FY	1.5%	(1) Is equal to or less than 0.5% less than that of the prior FY and (2) if the difference is less than or equal to \$3 million	1.5% points
Exceeds that of the prior FY by 50% of the inflation rate or less	2.5%		2.5% points
Exceeds that of the prior FY by between 50% and 100% of the inflation rate	3.5%	Exceeds that of the prior FY by between \$6 million and \$9 million	3.5% points
Exceeds that of the prior FY by more than 100% of the inflation rate	5%	Exceeds that of the prior FY by between \$9 million and \$12 million	4.5% points
		Exceeds that of the prior FY by more than \$12 million	5% points

The bill expands the definition of residential property to include (1) common interest communities and (2) condominiums used for residential purposes. Current law defines residential property as any building, land, and accessory building and improvements having one

to three dwelling units and apartment property as having four or more.

Apartment Property

PA 11-212 required Hartford to assess apartment property at 50% of its fair market value for the 2011 assessment year and, beginning with the 2012 assessment year, proportionately increase this assessment so that it is 70% by the 2015 assessment year. The bill makes the apartment assessment ratio 60% for the 2011 assessment year, 65% for 2012, and 70% for 2013.

ASSESSMENT INCREASE NOTICES AND APPEALS FOR THE 2011 GRAND LIST

The bill requires Hartford's assessor to publish the city's 2011 grand list within 15 days of the bill's passage, notwithstanding the law requiring assessors to do so by January 31 of each year. It requires the assessor or board of assessors to mail a written assessment increase notice to any property owner whose property value increased over the 2010 grand list to the property owner's last known address. By law, the written notice must be sent no later than 10 days after the assessor signs the grand list.

The bill authorizes aggrieved property owners to appeal their assessments in writing to the board of assessment appeals within 10 business days of receiving the notice. The board must notify appellants by September 1, 2012 about (1) the date, time, and place of the hearing or (2) its decision not to hold a hearing. By law, the board must hold a hearing on assessments except those over \$1 million for commercial, industrial, utility, or apartment property. If the board chooses not to hold a hearing, the appellant may appeal directly to the Superior Court.

Appeals filed before the bill's passage are subject to existing law's deadlines for filing, hearing, and deciding assessment appeals. Any such appellants retain the right to appeal to the Superior Court.

BUDGET REFERENDUM

PA 11-212 allows voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year. The bill (1) specifies that the referendum is on the budget proposed for the following fiscal year, rather than the budget for the fiscal year already in progress and (2) changes the trigger for the referendum to an increase in the tax levy of more than \$6 million over that in the current fiscal year. As under current law, 1% of voters must petition for the referendum by June 15.

Under PA 11-212, if voters did not approve the budget, the city was required to limit the tax levy increase to 2.6%. The bill instead requires that the budget revert to the preceding fiscal year's budget, adjusted by the amount necessary to meet the Pension Commission's funding requirement and any legally and contractually required increases certified by the finance director.

BACKGROUND

Hartford's Property Tax Relief Program, 2006 – 2010

PA 06-183 allowed Hartford to implement a special property tax relief program for residential and apartment property from 2006 to 2010. Instead of assessing all real property at 70% of fair market value, the act allowed Hartford to assess different types of property at different rates. It required the Hartford assessor to calculate two annual assessment ratios, one for residential and apartment property classes and one for all other classes. The two ratios had to produce, in the revaluation year and each of the four following years (2006 through 2010), an average annual property tax increase attributable to the revaluation of 3.5% for residential and apartment classes.

PA 06-183 required the city to use the revenue from the tax increases on residential and apartment property to proportionately reduce the 15% tax surcharge on the other property classes that had been in place since Hartford instituted its property "tax cap" program in 1990. The surcharge had to be no more than 7.5% in the October 1, 2010 assessment year. PA 06-183 repealed the statute authorizing the surcharge as of the same assessment year.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (04/03/2012)